





By Daniel Rome Levine

New View?

The economy and the housing market have changed the outlook for many baby boomers. REALTORS[®] feel their pain.

Before the summer of 2006, Linda Rike, CRS, of Linda Rike Real Estate, couldn't sell retirement homes fast enough to the steady stream of baby boomers pouring into the sportfishing capital of Morehead City, N.C., from places like New York, New Jersey and Ohio.

Then the economy tanked, and the stream slowed to a trickle. Baby boomers still aren't biting. Rike's business has been down as much as 60 percent since 2006, and there's a three-year supply of housing inventory on the market, compared with the six-month supply available four years ago.

The problem is simple. "[Boomers] can't sell their homes, so they can't buy our homes," she says. "The job market is down, so people aren't moving into their areas to buy their properties."

Even when Rike recently had clients who were able to sell their primary residence in California and free up cash to buy a retirement home, she was stymied by the jitters the economy

Ron Chapple/Getty Images

was generating. After working with Rike for three years, the couple finally sold their home in July, but were still hesitant to invest the money in a retirement home. They were worried the uncertain economy would cause prices to drop even further, and they wanted to get the best deal possible. “They now had the money in hand, but they were afraid to spend it because of the economy,” she says. “They thought if they wait longer, they would get a better price.”

With their investment accounts depleted and no buyers lining up for the homes they currently own, many baby boomers — the generation of Americans born between 1946 and 1964 — are putting their plans to move into a retirement

home on hold. The nation’s nearly 80 million baby boomers, who make up more than a quarter of the U.S. population, have been hit especially hard by the economic downturn. According to a recent study by the American Bankruptcy Institute, baby boomers (between the ages of 45 and 64) accounted for 42 percent of all those who filed for bankruptcy in 2007.

Scared Still

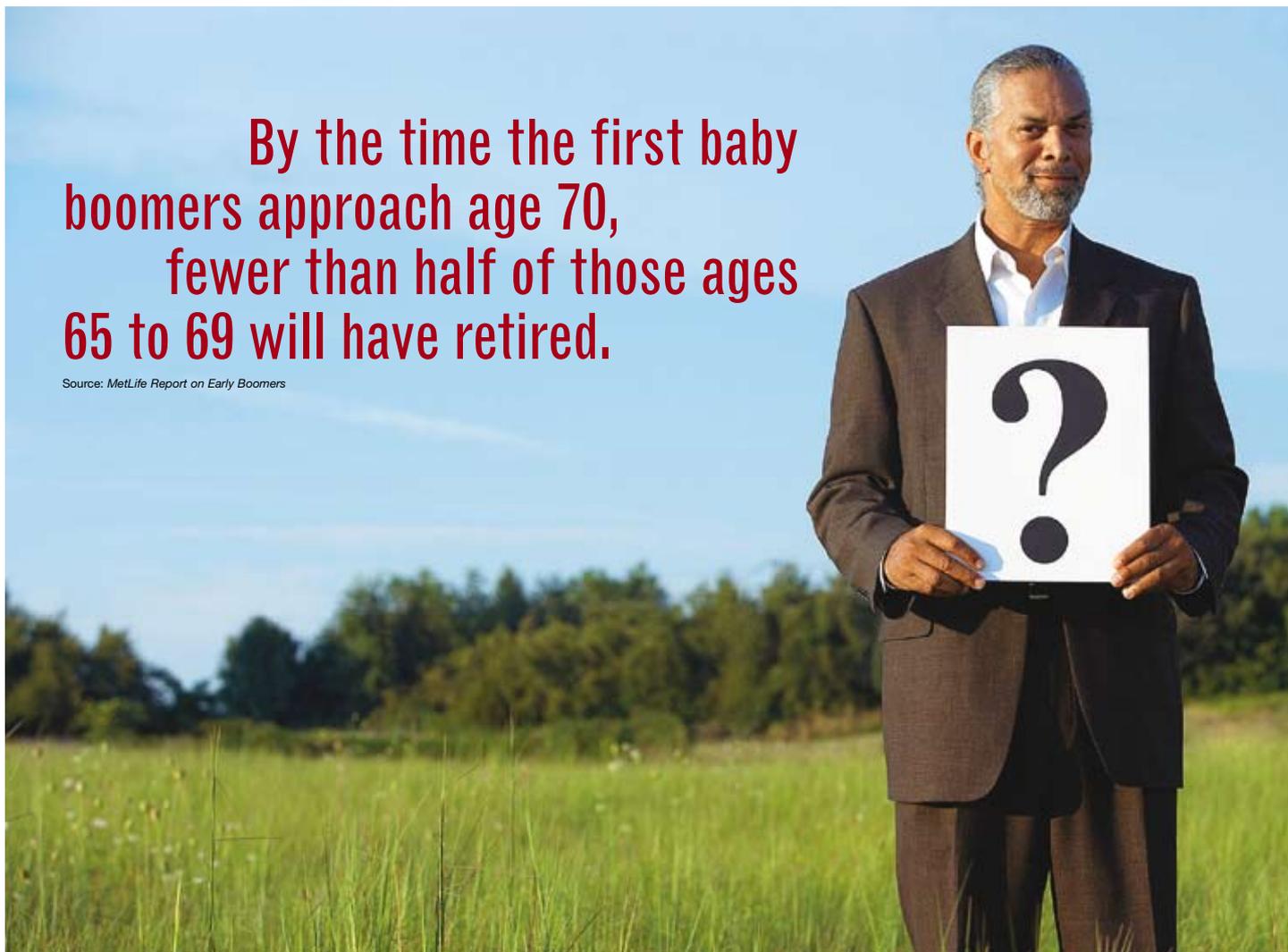
Without enough cash to buy the retirement home of their dreams, many baby boomers are simply staying put or delaying a decision until their finances improve. That’s what Chris Davis, CRS, of Chris Davis and Associates, Keller Williams VIP Properties, is seeing in Santa Clarita, Calif.

As recently as five years ago, many boomers were moving into even bigger homes when their nests emptied. No more. “The majority of them are staying right where they are,” she says. “For many, their pensions have disappeared and their 401(k)s have been eaten up. They are now planning on working longer than they thought, and they don’t want to rock the boat in any way, shape or form.”

Davis says her boomer clients approaching their mid-60s are “really freaked out” about the prospect of never being able to retire. One such client, who was hoping to move into a smaller house out of state, realized after a recent assessment of his home that he’ll have to stay put because it’s worth less than what he owes on his mortgage.

By the time the first baby boomers approach age 70, fewer than half of those ages 65 to 69 will have retired.

Source: MetLife Report on Early Boomers



Blend Images/Masterfile

Over the next 10 years aging baby boomers will result in a 50 percent rise in the number of people 65 to 74 years old, a growth rate for that group not seen in 50 years.

Source: MetLife Report on Early Boomers



He doesn't want to proceed with a short sale because of the damage it would do to his credit report. "Honestly, the way things are going, I'm probably going to have to work until I drop," he recently told Davis.

Slow Motion

The picture is not so bleak everywhere. In the Delaware beach resort town of Lewes, Kathy Sperl-Bell, CRS, of RE/MAX Associates, says activity among baby boomers started picking up again earlier this year after a three-year slowdown. Boomers are still taking their time making a decision, and many have scaled back the amount they plan to spend, says Sperl-Bell, but business is definitely picking up. "I have been very, very busy," she says. "Boomers are not dead in their tracks, and they are moving forward with their lives."

Still, concerns about the economy continue to be an issue for some. In August, a New Jersey couple in their late 50s, whom Sperl-Bell had been working with for three months, pulled the plug after they had already agreed to buy a new home and were holding the final contract in their hands. "It's just too scary," Sperl-Bell recalls the husband saying about the possibility that the economy was on the verge of tipping back into recession. He said he was "really concerned there is going to be a double dip."

Halfway across the country in Omaha, Neb., boomers are not letting the stagnant economy dampen their desire to buy, according to Bill Black, CRS, of CBS Home Real Estate. He says his boomer clients are taking full advantage of rock-bottom interest rates and home prices that are at six-year lows. In fact, their biggest problem, he says, is deciding among all the features available in the 1,600-square-foot, three-bedroom, two-bath, four-car garage ranch homes constructed by a local builder who has hired Black to sell them in the low \$200,000 range. The builder is fully booked into the spring with construction orders, and business is booming for Black. Last year, he completed 65 transactions worth about \$12 million. "Baby boomers buying these homes have been my salvation," he says.

Black says boomers in Nebraska, and across the Midwest, tend to be more conservative with their finances than boomers in other parts of the country. Most have had no trouble paying for new retirement homes because they had ample equity built in their existing properties and put them on the market at realistic prices.

Black says Omaha's boomers are downsizing for retirement, but they still want all the bells and whistles in their new homes. "They want to get smaller, but they want high quality," he says. Popular features with

boomers include large walk-in pantries, granite and quartz countertops, wood floors, high-quality windows, vaulted ceilings and covered outdoor decks that enable entertaining and grilling in inclement weather.

The garage is one area where boomers are clearly not downsizing. Four-car garages are all the rage among boomers in Omaha, Black says. "They need somewhere to keep their toys, like a Harley, a fishing boat or a camper," he says. "Or, they have a hobby like woodworking and have a lot of machinery and tools."

While Omaha's baby boomers are helping Black's business prosper, REALTORS® in much of the country, especially those in second-home and retirement markets, are feeling the pain of boomers' inability or unwillingness to invest in another home while the economy remains stuck in a rut. When the economy does pick up again, Sperl-Bell expects the nation's boomers to provide her and other agents across the country with ample business well into the future. "We should have some fantastic years ahead," she says. "After all, the oldest boomers are only approaching their mid-60s. That's not even retirement age anymore." 🏠

Daniel Rome Levine is a writer based in Wilmette, Ill., and is a frequent contributor to *The Residential Specialist*.